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C O N F I D E N T I A L SECTION 01 OF 02 ISLAMABAD 000924

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SUBJECT: AMBASSADOR'S MEETING WITH POTENTIAL NEW MINISTER OF FINANCE  
SYED NAVEED QAMAR

Classified by: Ambassador Anne W. Patterson for reasons 1.4 (b) and (d)

11. (C) Summary: In a February 29 meeting with the Ambassador, Pakistan Peoples Party (PPP) Member of National Assembly Syed Naveed Qamar, whose name has come up as a potential PPP Minister of Finance, reviewed economic priorities and challenges facing a PPP-led national government. Qamar rejected views that a PPP-led government would be hostile to the business community, referring to business as the country's engine of growth. Qamar cited rising fuel subsidies as particularly damaging to the fiscal deficit but recognized that increasing consumer fuel prices was not politically desirable. He stated that the new government would look for any and all support on economic issues and urged the USG to expedite Coalitional Support Fund (CSF) payments. End Summary.

12. (C) The Ambassador met on February 29 with Syed Naveed Qamar, whose name has been floated as a potential Minister of Finance in a PPP-led government. The Ambassador said that we were reaching out to economic decision makers in all the major parties. Qamar, who sits on the PPP's Central Executive Committee, has held a National Assembly seat in Hyderabad since 2002. He previously served in the National Assembly from 1990 to 1999, was Chairman of the Privatization Commission from 1993 to 1996, and Federal Minister for Finance and Privatization until former Prime Minister Benazir Bhutto's ouster in November 1996. Qamar described the post of Finance Minister as a "hot seat" in the new government but rejected rumors that the PPP would pass the portfolio to a potential coalition partner.

13. (C) While Qamar described the current state of Pakistan's economy as "grim," he rejected perceptions that the PPP was populist and hostile towards the business community. He opined that PPP Co-Chairman Asif Zardari was "more pro-business than Benazir Bhutto," as a private sector businessman. Recognizing that businesses and investors are the engine of growth in Pakistan, Qamar pledged continued PPP outreach to private sector and foreign investors. He emphasized that the PPP strongly supported privatization but admitted that certain individuals in the party had "dated views" on the subject. Privatization, he asserted, "will be vigorously pursued."

14. (C) Qamar signaled out the rising cost of fuel subsidies as a major concern. The Government of Pakistan (GOP) has been unwilling to pass the rising international cost of oil to domestic consumers, subsidizing fuel and energy costs at great expense to the government. Qamar faulted the caretaker government of Prime Minister Soomro for not tackling the issue of rising subsidy costs, stating that as a caretaker, he had "little to lose." Recognizing that an immediate

end to fuel subsidies would be politically unviable, Qamar emphasized a multi-pronged approach to the issue. By combining decreased subsidies, marginally higher pump prices and increased inflows into government coffers, the subsidy issue could be tackled without inflationary borrowing. With a fiscal deficit projected to surge from four to seven percent of GDP this fiscal year, excessive borrowing is not a viable option.

¶5. (C) Turning to the anti-money laundering bill passed by Presidential Ordinance in September 2007, Qamar stated that any anti-money laundering (AML) legislation must satisfy international norms. He rejected claims that since the AML Ordinance was renewed in January 2008 under the Provisional Constitutional Order (PCO), it was now permanent. The AML bill, he contended, still must move through parliamentary channels and obtain approval. Qamar further stated that the AML Ordinance and Financial Management Unit (FMU) should not be used as a political tool to target opponents of the government. He didn't foresee any problem with securing National Assembly approval for an updated bill, provided it was moved through quickly. (Comment: The AML bill was passed as an ordinance after being stalled in the previous parliament for over two years. End Comment)

¶6. (C) Qamar commented that the new government would be looking for any and all support on economic issues. Every Coalition Support Fund (CSF) payment, he continued, directly impacts the GOP's ability to stay fiscally solvent. Qamar asked the U.S. to ensure that the next tranche of CSF reimbursements were credited to Pakistani accounts before the June 30, 2008 end of the current fiscal year. He expressed hope that the U.S. would increase oversight of CSF payments to ensure that military claims were not over-inflated or siphoned off into private coffers.

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¶7. (C) Qamar emphasized parliamentary budget oversight as a key priority for the PPP. Hoping to increase transparency in the budget process, he described the current level of oversight as "pantomime." He faulted the executive branch for independently formulating a budget and "ramming it through" the National Assembly with little parliamentary oversight. The PPP hopes to increase the National Assembly's role in budget formation by requiring the executive branch to submit a draft budget in February, allowing three months of debate. Qamar also supported increased discussion and transparency in the defense budget, currently restricted to one line in the national budget. "Only when an institution [such as the National Assembly] is strong enough," Qamar concluded, "can it take power back from those that insist it be usurped."

¶8. (C) Comment: Having been the last member of the PPP to hold the position of Finance Minister, Qamar looks ready to reclaim the role he had over eleven years ago. Confident and clearly briefed on major economic issues, he was eager to dispel impressions that the PPP was hostile to business and investment. Whoever is selected as the next Finance Minister will be in an unenviable position, having few politically popular options for decreasing subsidies and reducing the fiscal deficit. The Embassy will continue outreach to potential economic decision-makers in the new government. End Comment.

PATTERSON